

LINCOLN PARK HOUSING COMMISSION

Financial Statements

March 31, 2004

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

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Certified Public Accountant

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Board of Commissioners
Lincoln Park Housing Commission
1356 Electric
Lincoln Park, Michigan 48146

Independent Auditor's Report

I have audited the financial statements listed in the Table of Contents of the Lincoln Park Housing Commission as of and for the year ended March 31, 2004. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lincoln Park Housing Commission as of March 31, 2004, and the results of its operations and the cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 4, 2004, on my consideration of the Lincoln Park Housing Commission's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, if fairly stated in all material respects in relation to the financial statements taken as whole.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Certified Public Accountant

November 4, 2004

LINCOLN PARK HOUSING COMMISSION
Statement of Net Assets

March 31, 2004

ASSETS

C-3175

CURRENT ASSETS

Cash	\$	364,214	
Accounts Receivable, net of allowance for doubtful accounts of \$ 1,000		3,821	
Accounts Receivable- HUD		69,815	
Prepaid Expenses		10,636	
Inter Program due from		<u>75,563</u>	
Total Current Assets	\$		524,049

NON CURRENT ASSETS

Land	\$	87,209	
Buildings		1,737,499	
Furniture, Equipment- Dwelling		95,879	
Furniture, Equipment- Administrative		149,273	
Leasehold Improvements		3,634,416	
Accumulated Depreciation		<u>(3,979,269)</u>	
Total Non Current Assets			<u>1,725,007</u>

TOTAL ASSETS \$ 2,249,056

LIABILITIES & NET ASSETS

C-3175

LIABILITIES:

CURRENT LIABILITIES

Accounts Payable	\$	39,036	
Accrued Liabilities-Wages & Payroll Taxes		8,380	
Tenants Security Deposit		26,272	
Accounts Payable- Other Governments		30,266	
Other Current Liabilities		15,741	
Deferred Revenues		8,401	
Inter-Program due to		<u>75,563</u>	
<u>Total Current Liabilities</u>	\$		203,659

NET ASSETS:

Contributed Capital	\$	1,610,076	
Retained Earnings		<u>435,321</u>	
<u>Total Net Assets</u>			<u>2,045,397</u>

TOTAL LIABILITIES & NET ASSETS \$ 2,249,056

The Accompanying Footnotes are an Integral Part of the Financial Statements

Business Type Activities

OPERATING REVENUE

Tenant Rental Revenue	\$ 264,214
HUD Grants	2,315,989
Interest Income	4,242
Other Income	<u>50,297</u>

Total Operating Revenue \$ 2,634,742

OPERATING EXPENSES

Administrative	\$ 337,050
Utility Expenses	116,310
Ordinary Maintenance	201,797
Protective Services	7,570
General Expenses	<u>45,770</u>

Total Operating Expenses 708,497

Operating Income (Loss) \$ 1,926,245

NONOPERATING REVENUES (EXPENSES)

Housing Assistance Payments	\$ (1,811,092)
Depreciation Expenses	<u>(218,920)</u>

Total Nonoperating (Expenses) (2,030,012)

Change in Net Assets \$ (103,767)

Total Net Assets- Beginning	2,116,855
Prior Period Adjustment: Adjustment of HUD Funding	<u>32,339</u>

Adjusted Beginning Balance \$ 2,149,194

Total Net Assets- Ending \$ 2,045,397

The Accompanying Footnotes are an Integral Part of the Financial Statements.

Business Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 262,894
Payments to Suppliers	(2,234,058)
Payments to Employees	(226,168)
HUD Grants	2,315,989
Other Receipts (Payments)	<u>54,539</u>

Net Cash Provided (Used) by Operating Activities	\$ 173,196
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CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES

Purchases of Capital Assets	\$ <u>(98,735)</u>
-----------------------------	--------------------

Net Increase (Decrease) in Cash and Cash Equivalents	\$ 74,461
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Balance- Beginning of Year	<u>289,753</u>
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Balance- End of Year	\$ <u>364,214</u>
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RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Net Profit or (Loss)	\$ (103,767)
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Adjustments to Reconcile Operating Income to Net
Cash Provided (Used) by Operating Activities:

Depreciation	218,920
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Changes in Assets (Increase) Decrease:

Receivables (Gross)	27,780
---------------------	--------

Investments	14,830
-------------	--------

Prepaid Expenses	(465)
------------------	-------

Interfund Due From	(53,563)
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Changes in Liabilities Increase (Decrease):

Accounts Payable	5,565
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Accrued Compensated Absences	(9,696)
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Security Deposits	(29)
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Deferred Revenue	4,317
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other Current Liabilities	15,741
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Interfund Due To	<u>53,563</u>
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Net Cash Provided by Operating Activities	\$ <u>173,196</u>
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The Accompanying Notes are an Integral part of the Financial Statements

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity-

Lincoln Park. Housing Commission, Lincoln Park, Michigan, (Commission) was created by ordinance of Benton Township. The Commission signed and Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following:

MI 32-001	Low rent program	119 units
MI 32-V0 032-2, 3	Section 8 Vouchers	289 units
	Section 8 Mod Rehab	35 units

In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. Based on the above criteria, there are no component units.

These criteria were considered in determining the reporting entity.

Basis of Presentation-

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Proprietary Funds

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

Basis of Accounting-

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Prior to October 1, 1998, the Commission followed a basis of accounting consistent with the cognizant agency, the U. S. Department of Housing and Urban Development, HUD. Those practices differed from Generally Accepted Accounting Principals (GAAP); however, for all fiscal years beginning on or after October 1, 1998, HUD has required adherence to GAAP. Therefore, the current and future financial presentations will follow GAAP and the Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989, provided that they do not conflict with Governmental Accounting Standards Board (GASB) pronouncements.

Budgetary data-

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

Assets, Liabilities, and Net Assets-

Deposits & Investments

Deposits are stated at cost; the carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents; investments are stated at cost which approximates market.

Cash Equivalents represent investments purchased with a three month maturity or less; investments meeting this criteria are reclassified for financial statement purposes as cash.

Fixed Assets

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and undesignated fund balance components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings and Improvements	40 years
Equipment	3-10 years

Due to/From Other Funds

During the course of operations, numerous transactions occur between individual funds for goods or services; these receivables and payables are classified as "due from" or "due to" other funds on the Balance Sheet.

Note 2: Cash and Investments.

The composition of cash and investments are as follows:

Cash:

Checking Accounts	\$ 307,954
Petty Cash	575
Cash Equivalents, below	<u>55,685</u>
Financial Statement Total	<u>\$ 364,214</u>

Investments:

Savings Account	\$ 55,685
Cash Equivalents, above	<u>(55,685)</u>
Financial Statement Total	<u>\$ 0</u>

risk assumptions:

- 1) Insured or registered in the Commission's name.
- 2) Uninsured or unregistered, held by a broker in the Commission's name.
- 3) Uninsured or unregistered, held by a broker not in the Commission's name.

	<u>Categories</u>			<u>Carrying</u>	<u>Market</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>	<u>Value</u>
Cash:					
Checking A/C's	\$ 307,954	\$	\$	\$ 307,954	\$ 307,954
Petty Cash	575			575	575
Money Market	<u>55,685</u>	<u></u>	<u></u>	<u>55,685</u>	<u>55,685</u>
Total Cash	\$ <u>364,214</u>	\$ <u></u>	\$ <u></u>	\$ <u>364,214</u>	\$ <u>364,214</u>
Investments:					
Money Market	\$ 0	\$	\$	\$ 0	\$ 0

Note 3: Accounts Receivable

Accounts Receivable Tenants consist of the following:

Accounts Receivable	\$	4,821
Allowance for Doubtful Accounts		<u>(1,000)</u>
	\$	<u>3,821</u>

Note 4: Fixed Asset Analysis.

The following represents the changes in fixed assets for the year:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Land	\$ 87,209	\$	\$	\$ 87,209
Buildings	1,737,499			1,737,499
Furniture & Equipment-Dwellings	95,879			95,879
Furniture & Equipment-Admin	148,521	752		149,273
Leasehold Improvements	<u>3,536,433</u>	<u>97,983</u>		<u>3,634,416</u>
	\$ 5,605,541	\$ 98,735	\$	\$ 5,704,276
Less Accumulated Depreciation	<u>3,760,349</u>	<u>218,920</u>		<u>3,979,269</u>
	\$ <u>1,845,192</u>	\$ <u>(120,185)</u>	\$	\$ <u>1,725,007</u>

Accrued Liabilities-other, consist of the following:

Accrued Management Fees	\$ 7,180
Miscellaneous	363
Accrued Utilities Payable	<u>8,198</u>
Financial Statement Total	<u>\$ 15,741</u>

Note 6: Pension Plan

The Commission provides a 401K plan for all eligible full time employees. The Commission contributes a percentage of eligible employees wages to the plan and accounts for pension cost as incurred.

Note 7: HUD Guaranteed Debt and Contributed Capital.

HUD guaranteed debt has been reclassified to Contributed Capital for all years ending after September 30, 1998. The reclassification is a result of all HUD programs converting from a basis of accounting prescribed by HUD other than Generally Accepted Accounting Principles (GAAP), to GAAP.

The original Contributions will be reduced by depreciation add back, and prior to June 1, 2004, increased by additional contributions.

Note 8: Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 9,446,700
General Liability	2,000,000
Automobile Liability	1,000,000
Dishonesty Bond	1,000,000
Worker's Compensation and other riders: minimum coverage's required by the State of Michigan	

Note 9: Combining Financial Data Schedules.

The totals in the Combining Balance Sheet and Combining Income Statement represent unconsolidated totals. Under principals of consolidation, inter fund transactions would be eliminated; the totals in the combined statements follow the financial data schedule format recommended by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center (REAC).

Note 10 Reclassifications.

Certain prior years' balances have been reclassified to conform to the current year's presentation.

Note 11 Segment Information for Enterprise Funds.

The Commission maintains an enterprise fund; segment information for the year ended March 31, 2004, is as follows:

Operating Revenue	\$ 2,634,742
Operating Income	1,925,988
Non Operating Revenue (Expenses)	
Housing Assistance Payments	(1,811,092)
Depreciation Expense	(218,920)
Net Profit (Loss)	(103,767)
Non Current Assets (net)	1,725,007
Total Assets	2,249,056
Retained Earnings	435,321

	Combining Statement of Net Assets	Low Rent 14.850	Section 8 Housing Choice Voucher Program 14.871	Section 8 Mod Rehab 14.856	Capital Projects Funds 14.872	TOTAL
Line Item #						
	ASSETS:					
	CURRENT ASSETS:					
	Cash:					
111	Cash - unrestricted	263,560	66,916	3,215		333,691
112	Cash - restricted - modernization and development	-				-
113	Cash - other restricted					-
114	Cash - tenant security deposits	30,523				30,523
100	Total cash	294,083	66,916	3,215	-	364,214
	Accounts and notes receivables:					
121	Accounts receivable - PHA projects					-
122	Accounts receivable - HUD other projects		69,815			69,815
124	Accounts receivable - other government					-
125	Accounts receivable - miscellaneous					-
126	Accounts receivable- tenants - dwelling rents	4,821				4,821
126.1	Allowance for doubtful accounts - dwelling rents	(1,000)				(1,000)
126.2	Allowance for doubtful accounts - other					-
127	Notes and mortgages receivable- current					-
128	Fraud recovery					-
128.1	Allowance for doubtful accounts - fraud	-		-		-
129	Accrued interest receivable					-
120	Total receivables, net of allowances for doubtful accounts	3,821	69,815	-	-	73,636
	Current investments					-
131	Investments - unrestricted	-				-
132	Investments - restricted					-
142	Prepaid expenses and other assets					

		10,636				10,636
143	Inventories					-
143.1	Allowance for obsolete inventories					-
144	Interprogram - due from	22,000		53,563		75,563
146	Amounts to be provided					-
150	TOTAL CURRENT ASSETS	330,540	136,731	56,778	-	524,049
	NONCURRENT ASSETS:					
	Fixed assets:					
161	Land	87,209				87,209
162	Buildings	1,703,613			33,886	1,737,499
163	Furniture, equipment & machinery - dwellings	73,220			22,659	95,879
164	Furniture, equipment & machinery - administration	64,109	76,664		8,500	149,273
165	Leasehold improvements	3,634,416	-			3,634,416
166	Accumulated depreciation	(3,924,057)	(55,212)			(3,979,269)
160	Total fixed assets, net of accumulated depreciation	1,638,510	21,452	-	65,045	1,725,007
171	Notes and mortgages receivable - non-current					-
172	Notes and mortgages receivable-non-current-past due					-
174	Other assets					-
175	Undistributed debits					-
176	Investment in joint ventures					-
180	TOTAL NONCURRENT ASSETS	1,638,510	21,452	-	65,045	1,725,007
190	TOTAL ASSETS	1,969,050	158,183	56,778	65,045	2,249,056
	LIABILITIES AND EQUITY:					
	LIABILITIES:					
	CURRENT LIABILITIES					
311	Bank overdraft					-
312	Accounts payable ≤ 90 days	37,224	1,283	529		39,036
313	Accounts payable > 90 days past due					-
321	Accrued wage/payroll taxes payable	5,362	1,509	1,509		8,380

322	Accrued compensated absences			-	-	-
324	Accrued contingency liability					-
325	Accrued interest payable					-
331	Accounts payable - HUD PHA programs			-	-	-
332	Accounts Payable - PHA Projects					
333	Accounts payable - other government	30,266				30,266
341	Tenant security deposits	26,272				26,272
342	Deferred revenues	8,401				8,401
343	Current portion of Long-Term debt - capital projects					-
344	Current portion of Long-Term debt - operating borrowings					-
345	Other current liabilities	-		363		363
346	Accrued liabilities - other	10,340	3,465	1,573		15,378
347	Inter-program - due to	-	75,563	-	-	75,563
310	TOTAL CURRENT LIABILITIES	117,865	81,820	3,974	-	203,659
	NONCURRENT LIABILITIES:					
351	Long-term debt, net of current- capital projects					-
352	Long-term debt, net of current- operating borrowings					-
353	Noncurrent liabilities- other					-
350	TOTAL NONCURRENT LIABILITIES	-	-	-	-	-
300	TOTAL LIABILITIES	117,865	81,820	3,974	-	203,659
	EQUITY:					
501	Investment in general fixed assets					-
	Contributed Capital:					
502	Project notes (HUD)					-
503	Long-term debt - HUD guaranteed	1,111,702				1,111,702
504	Net HUD PHA contributions	398,391				398,391
505	Other HUD contributions					

		-				-
507	Other contributions	99,983				99,983
508	Total contributed capital	1,610,076	-	-	-	1,610,076
	Reserved fund balance:					-
509	Reserved for operating activities					-
510	Reserved for capital activities					-
511	Total reserved fund balance	-	-	-	-	-
512	Undesignated fund balance/retained earnings	241,109	76,363	52,804	65,045	435,321
513	TOTAL EQUITY	1,851,185	76,363	52,804	65,045	2,045,397
600	TOTAL LIABILITIES AND EQUITY	1,969,050	158,183	56,778	65,045	2,249,056

Lincoln Park Housing
Commission

31-Mar-04

MI-051

	Combining Statement of Revenues, Expenses	Low Rent 14.850	Section 8 Housing Choice Voucher Program 14.871	Section 8 Mod Rehab 14.856	Capital Projects Grant 14.872	TOTAL
Line Item #						
	REVENUE:					
703	Net tenant rental revenue	264,214				264,214
704	Tenant revenue - other	-				-
705	Total tenant revenue	264,214	-	-	-	264,214
706	HUD PHA grants	195,935	1,855,047	143,005	122,002	2,315,989
708	Other government grants	-				-
711	Investment income - unrestricted	3,285	957	-	-	4,242
712	Mortgage interest income					-
714	Fraud recovery					-
715	Other revenue	43,726	2,221	4,350		50,297
716	Gain or loss on the sale of fixed assets					-
720	Investment income - restricted					-
700	TOTAL REVENUE	507,160	1,858,225	147,355	122,002	2,634,742
	EXPENSES:					
	Administrative					
911	Administrative salaries	60,146	60,059	7,314		127,519
912	Auditing fees	3,250			-	3,250
913	Outside management fees	45,696	45,084	5,460		96,240
914	Compensated absences					-
915	Employee benefit contributions- administrative	14,344	13,959	1,823		30,126
916	Other operating- administrative	78,714	1,157	44		79,915
	Tenant services					

921	Tenant services - salaries	-				-
922	Relocation costs					-
923	Employee benefit contributions- tenant services	-				-
924	Tenant services - other	-	-			-
	Utilities					
931	Water	21,641				21,641
932	Electricity	54,351				54,351
933	Gas	40,318				40,318
934	Fuel					-
935	Labor					-
937	Employee benefit contributions- utilities					-
938	Other utilities expense	-				-
	Ordinary maintenance & operation					
941	Ordinary maintenance and operations - labor	58,264	36,338	4,047		98,649
942	Ordinary maintenance and operations - materials & other	62,405	-			62,405
943	Ordinary maintenance and operations - contract costs	10,878				10,878
945	Employee benefit contributions- ordinary maintenance	20,284	8,555	1,026		29,865
	Protective services					
951	Protective services - labor					-
952	Protective services- other contract costs	7,570				7,570
953	Protective services - other	-				-
955	Employee benefit contributions- protective services					-
	General expenses					
961	Insurance premiums	32,014				32,014
962	Other General Expenses	257				
963	Payments in lieu of taxes	13,981				13,981

964	Bad debt - tenant rents	(225)				(225)
965	Bad debt- mortgages					-
966	Bad debt - other					-
967	Interest expense					-
968	Severance expense					-
969	TOTAL OPERATING EXPENSES	523,888	165,152	19,714	-	708,497
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	(16,728)	1,693,073	127,641	122,002	1,925,988
971	Extraordinary maintenance					-
972	Casualty losses - non-capitalized					-
973	Housing assistance payments		1,688,554	122,538		1,811,092
974	Depreciation expense	218,920		-		218,920
975	Fraud losses					-
976	Capital outlays- governmental funds	-			-	-
977	Debt principal payment- governmental funds					-
978	Dwelling units rent expense					-
900	TOTAL EXPENSES	742,808	1,853,706	142,252	-	2,738,509
	OTHER FINANCING SOURCES (USES)					
##	Operating transfers in (Out)	122,002			(122,002)	-
##	Operating transfers out					-
##	Operating transfers from/to primary government					-
##	Operating transfers from/to component unit					-
##	Proceeds from notes, loans and bonds					-
##	Proceeds from property sales					-
##	TOTAL OTHER FINANCING SOURCES (USES)	122,002			(122,002)	

			-	-		-
##	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	(113,646)	4,519	5,103	-	(103,767)

-12-

LINCOLN PARK HOUSING COMMISSION
Schedule of Annual Federal Awards
For the Year Ended March 31, 2004

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Direct Programs:

	<u>Annual Program Expenditures</u>
* <u>CFDA 14.850 Public and Indian Housing</u>	
C-3175 Operating Subsidies	\$ <u>195,935</u>
* <u>CFDA 14.871 Housing Assistance Programs</u>	
C-3175V Housing Choice Vouchers	\$ <u>1,855,047</u>
* <u>CFDA 14.856 Section 8 Mod Rehab</u>	
C-3175 Section 8 Mod Rehab	\$ <u>143,005</u>
* <u>CFDA 14.872 Capital Projects Funds</u>	

C-3175 Capital Projects Grants

\$ 122,002

\$ 2,315,989

*Connotes Major Program Category

Significant Account Policies

The accounting policies of the Commission conform to generally accepted accounting principles as applicable to governmental proprietary funds. The financial statements contained in the Commission's annual audit report are prepared on the accrual basis of accounting; revenues are recognized when earned, expenses are recorded when the related services or product are received.

Risk management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 9,446,700
General Liability	2,000,000
Automobile Liability	1,000,000
Dishonesty Bond	1,000,000
Worker's Compensation and other riders:	
minimum coverage's required by the State of Michigan	

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LINCOLN PARK HOUSING COMMISSION
Status of Prior Audit Findings
March 31, 2004

The prior audit of the Lincoln Park Housing Commission for the period ended March 31, 2003, contained three audit findings; the following represents the actions taken by the Commission:

- 1) Security Deposit Discrepancies- Current tests did not reveal discrepancies in this area.
- 2) Davis Bacon Act non Compliance- The Commission has obtained certified payrolls and have conducted reviews as required.
- 3) Rent Reasonableness Deficiencies- Current test did not reveal a problem with rent reasonableness; however, other tenant accounting discrepancies exist- see findings section of this report.

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LINCOLN PARK HOUSING COMMISSION
Report on Compliance with Requirements
Applicable to Each Major Program
and on Internal Control over Compliance in
Accordance with OMB Circular A-133
March 31, 2004

Compliance

I have audited the compliance of Lincoln Park Housing Commission with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended March 31, 2004. Lincoln Park Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Lincoln Park Housing Commission's management. My responsibility is to express an opinion on Lincoln Park Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lincoln Park Housing Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Lincoln Park Housing Commission's compliance with those requirements.

In my opinion, Lincoln Park Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2004. However, the results of my auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs:

<u>Finding</u>	<u>Audit Number</u>	<u>Compliance Requirements</u>
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Low Rent Public Housing:

Collateralization	04-1	Cash Management
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Section 8 Housing Choice Vouchers:

Tenant Accounting Discrepancies	04-2	Eligibility; Cash Management
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Internal Control over Compliance

The management of Lincoln Park Housing Commission entity is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Lincoln Park Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of management and the U. S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant

November 4, 2004

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LINCOLN PARK HOUSING COMMISSION
Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial
Statements Performed in Accordance with
Government Auditing Standards
March 31, 2004

I have audited the financial statements of Lincoln Park Housing Commission, Lincoln Park, Michigan, as of and for the year ended March 31, 2004, and have issued my report thereon dated November 4, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Lincoln Park Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under *Government*

Auditing Standards and which are described in the accompanying schedule of findings and questioned costs: finding 04-1 and 04-2.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Lincoln Park Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

I did not note any matters relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgement, could adversely affect Lincoln Park Housing Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe no reportable conditions or material weaknesses exist.

This report is intended solely for the information and use of management and the U. S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant

November 4, 2004

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LINCOLN PARK HOUSING COMMISSION
Schedule of Findings and Questioned Cost
March 31, 2004

Summary of Auditor's Results:

Programs:

	<u>Major Program</u>	<u>Non Major Program</u>
Section 8 Housing Choice Vouchers	X	
Low income Public Housing	X	
Section 8 Mod Rehab	X	
Capital Fund Program	X	

Opinions:

General Purpose Financial Statements-
unqualified

Yes X No

Yes X No

Yes X No

Qualified

 Yes X No

	X	Yes	No
1. The company has a clear vision and mission statement.			
2. The company has a strong leadership team.			
3. The company has a solid financial foundation.			
4. The company has a diverse and talented workforce.			
5. The company has a strong commitment to social responsibility.			
6. The company has a clear strategy for growth.			
7. The company has a strong brand identity.			
8. The company has a strong customer base.			
9. The company has a strong competitive advantage.			
10. The company has a strong track record of success.			

Yes X No

Thresholds:

Dollar limit used to determine type A & B programs- \$ 300,000

The Auditee did qualify as a low risk auditee.

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<u>Name of Federal Program</u>	<u>Major Program</u>	<u>Questioned Costs</u>	<u>Audit Finding Number</u>
Low Rent Public Housing	Yes	None	04-1
Section 8 Mod Rehab	Yes	None	N/A
Capital Fund Program	Yes	None	N/A
Section 8 Housing Choice Vouchers	Yes	None	04-2

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LINCOLN PARK HOUSING COMMISSION
Findings, Recommendations and Replies
March 31, 2004

The following findings of the Lincoln Park Housing Commission, for the year ended March 31, 2004, were discussed with the Property Manager in an exit interview conducted on November 4, 2004:

Finding 04-1 Collateralization Agreement.

The Commission had over \$ 100,000 in a bank account at year end; no evidence of a collateralization agreement protecting the Commission's cash beyond FDIC limits exists.

Recommendation

HUD requires all Commission assets be insured from the potential of loss; FDIC limits only protect bank accounts up to \$ 100,000; either the Commission needs to enter into a collateralization agreement with the bank, or move the excess funds to another bank.

Reply

Action Taken: Smith Barney, which is owned by Citibank, has ten Program Banks within its operating portfolio. This allows Smith Barney to provide up to \$ 1,000,000 in federal deposit insurance. Fourmidable will recommend to the Board that the Funds be moved to a new account at Smith Barney.

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Finding 04-2 Tenant Accounting Discrepancies.

10 Section 8 Housing Choice Voucher files were tested; the following discrepancies were noted:

- 8 of the ten had improperly executed leases.
- 4 of the ten used the wrong utility allowance.

Recommendation

The lease is the beginning of the relationship between the Commission and the tenant; it defines the expectations of the Commission and remedies for non compliance. A properly executed lease is a must to insure the legal enforcement of the Commission's rules.

The utility allowance is based on the size of the unit, type of unit and type of appliances; the above errors resulted in not using the correct rates, applying the correct rates for the wrong appliances (gas versus electric), or applying the correct rates for the wrong size or type of unit. These errors resulted in both too much and too little rent being collected; in the case of too much rent being collected, the Commission will reimburse the over charge to the tenant. All files with the wrong utility allowance will require correction.

I recommend the Commission review all files for a properly executed lease and the correct application of the utility allowance.

Reply

The resident Manager has contacted all landlords in the voucher program and requested a current copy of the landlord's lease with the landlord's current tenant. Landlord's have been instructed that failure to comply with this request may result in the withholding of voucher payments pending receipt of the lease copy. The Manager has also begun a comprehensive audit of all utility allowances to verify that the correct allowance is being calculated. Required adjustments will be made in a timely manner.

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature			Date	